

# JARISLOWSKY, FRASER LIMITED

## Proxy Voting Policy and Procedures

Jarislowky, Fraser Limited (“JFL”) may vote on a client’s behalf based on the following policy and procedures, provided the client has made such arrangements with its custodian.

JFL operates from a model portfolio and a list of approved securities in the management of funds for our clients. We receive and vote proxies for each of the companies that make up this list.

Our goal is to accrue and enhance economic value for our clients. This entails voting along with the board of directors (or independent board members in cases where a conflict of interest with management or a significant owner are evident), who as shareholder representatives must act in the best interest of the shareholder.

In cases where we strongly believe that a certain proposal will unduly increase the risk level or reduce the economic value of the relevant security, and that value will be enhanced by voting against a board of directors, we will do so. In the same vein, if we believe that the voting of a particular proxy may reduce the economic value of the security, then we may elect not to participate in such a vote.

Jarislowky, Fraser Limited generally votes with the Board on the following issues:

- Stock splits
- Regular annual meetings
- Election of directors
- Re-appointment of auditors

Jarislowky, Fraser Limited generally votes against the Board on the following issues:

- Board Structure: Jarislowky, Fraser Limited generally discourages the existence and creation of boards that: are not independent from management; lack a distinction between the CEO and the Chair; and, have key sub-committees, such as the nominating, audit, or executive compensation committees, dominated by management, a controlling shareholder or non-independent directors.
- Poison Pills: Otherwise known as shareholder rights plans, are where the shareholder is not allowed or is severely restricted in his/her ability to vote on any takeover offer or any other significant issue. The policy of Jarislowky, Fraser Limited is to vote against such poison pills if the shareholder does not retain the ultimate decision making authority.
- Dual Capitalization: Any new attempts to create a two class common share structure from a single class, or consolidate a two class structure into a single class subordinated class.
- Blank Cheque Preferred Shares: The creation of any class of shares that are superior in voting or have the potential to be superior in voting.
- Excessive Compensation: Involves the granting of options and/or the creation or modification of incentive compensation plans for employees, officers, directors and ongoing service providers of the company.

JFL is in favour of *reasonable competitive compensation* for company executives, officers and Board members. Said compensation should align executives and their directors with mid to long term shareholder value creation goals. While we prefer incentive compensation plans that reward executives solely on long-term value creation for shareholders, we recognize that, for practical reasons, part of executive pay has to be fixed.

In recent years, the emergence of compensation consultants and the ever widespread use of option issuance have distorted the meaning of reasonable and competitive compensation. Overall levels of yearly compensation have become too high and, in many cases, have focused on a disproportionately small group of executives, front end loading total compensation and shifting management’s focus to short term profit goals. Most compensation plans have also become very complex.

The most common excess with regard to compensation has been the use and amendment of option plans that increase the number of shares that can be issued. Option plans do not align the objectives of management with those of shareholders, they provide holders with a levered participation in share price appreciation and little or no risk of loss in share price declines. Options have also been subject to abuses such as short term share price promotion, re-pricing, re-issuing and backdating.

JFL agrees with the executive compensation principles of the Canadian Coalition for Good Governance (CCGG) and reviews proxy circulars for reasonableness and with the following guidelines in mind:

- “Pay for performance” should be a large component of executive compensation
- “Performance” should be based on measurable risk adjusted criteria, matched to the time horizon needed to ensure the criteria have been met
- Compensation should be simplified to focus on key measures of corporate performance
- Executives should build equity in their company to align their interests with shareholders
- Companies should limit pensions, benefits, severance and change of control entitlements
- Effective succession planning reduces paying for retention

Jarislowsky, Fraser Limited will only support Boards and their committees when overall compensation is reasonable and built with long term sustainable growth in mind. The same criteria apply for an advisory vote on executive or board compensation, including executive severance agreements. The Firm prefers annual advisory votes on compensation matters.

- Shareholder Proposals: Acting as fiduciaries, Jarislowsky, Fraser Limited reviews all shareholder proposals in the context of creating positive shareholder outcomes. To that extent, Jarislowsky, Fraser Limited generally supports shareholder propositions that encourage board independence, propose separation of Chair and CEO functions, require shareholder approval for executive remuneration and allow minority shareholders who represent 10% or more of shareholding to call a meeting. JFL also supports shareholder proposals that oppose the use of adjustments to set financial compensation metrics and/or the use of revenue enhancements (“gross-ups”) for the sole purpose of enhancing company executive compensation at the expense of shareholder funds and without merit.
- Capital Issuance requests and preemptive rights: Companies need some financing flexibility to take advantage of growth opportunities; to that end, Jarislowsky, Fraser Limited will allow capital issuance up to 10% of issued capital, with or without preemptive rights, so long as it is the same class of shares. Jarislowsky, Fraser Limited will always oppose the issuance of a new class of shares. Each request will be reviewed on its own merits.

For segregated, or separately managed, portfolios our policies can be superceded by those of our clients, provided the clients provide us with specific written instructions on how to vote well enough in advance of a vote. Client requests will be honoured on a best effort basis.

If there are any potential conflicts of interest, Jarislowsky, Fraser Limited will notify the client of our voting intentions and disclose the nature of the conflict.

The Investment Strategy Committee, together with all members of the firm’s research team, meets on a weekly basis to review and debate upcoming proxy issues and events. Decisions are documented in writing and communicated to Proxy Voting personnel as well all investment professionals. As mentioned above, should a material conflict of interest arise, written notice is sent to all clients concerned.

All proxy decisions are made internally. The JFL research team typically receives independent reports from at least two external sources for each company which makes up the model portfolio. In addition, JFL has contracted a third party to notify the research team of upcoming votes and to electronically pre-screen and “recommend” votes based on JFL’s own proxy voting policies and procedures. The third party will generally cast and reconcile all votes received electronically.

Proxy Voting personnel at JFL maintain:

- documentation all decisions (including the basis for each decision)
- copies of all proxy statements (either in electronic or paper form or online)
- records of each vote cast
- records of all written requests from clients (and the JFL responses thereto)

Jarislowsky, Fraser Limited will endeavour to vote all model security proxies received. Together with the external service provider, Proxy Voting personnel attempt to reconcile records of stock held against proxies received. Where possible missing proxies are tracked, with attempts made to receive the proxy prior to the vote date. In the event of a problem with a particular custodian, both the JFL account manager and administrator are brought in to help rectify the situation. If unresolved, the account manager will communicate such issues to the client.

JFL uses third party providers to generate custom reports. A complete listing of all proxies voted by the firm is sent out to institutional clients and posted on our website on an annual basis, each August. More frequent information is available upon request from your Account Manager.

**Please Note: It has been our experience that when you choose a Broker to act as your custodian, our firm will rarely receive your proxies, and therefore we will not be able to vote your proxies. In addition, those clients who participate in Securities Lending programs generally forfeit their right to vote proxies for securities which are out on loan. For contentious proxy votes Jarislowsky, Fraser Limited will make every effort to recall securities prior to the record date, and asks that all clients ensure that their securities lending contracts give JFL the specific authority to do so.**